euromicron

Report of the Executive Board to the General Meeting on item 6 on the agenda in accordance with Section 203 (1) and (2) and Section 186 (4) Sentence 2 AktG (German Stock Corporation Law)

The existing authorization of the Executive Board, with the consent of the Supervisory Board, to increase the capital stock by up to €9,173,770 (Section 5 (4) of the Articles of Association) expires on May 13, 2019. The Executive Board and Supervisory Board propose replacing the existing authorized capital with a new authorization to increase the capital stock by up to €7,339,020 (authorized capital 2018). The authorization is to apply up to June 12, 2023. The authorized capital 2018 enables the Company to obtain new equity quickly, flexibly and at low cost in accordance with international standards. In addition, it is also to be able to be used to acquire companies or equity interests in companies. Creation of the authorized capital 2018 is intended to ensure that the Company – regardless of concrete plans to utilize it and regardless of the regular cycle at which its Annual General Meetings are held – always has the instruments it needs to obtain capital. There are not currently any concrete plans to utilize the authorized capital.

In principle, the shareholders have a statutory subscription right if and when the authorized capital 2018 is utilized. However, the Executive Board is to have the possibility of excluding shareholders' subscription right in the cases stipulated in the authorization. The authorized capital 2018 of €7,339,020 as proposed by the Executive Board and Supervisory Board corresponds to approximately 40% of the capital stock[1]. It is well short of fully utilizing the limit of 50% of the capital stock permitted under the law.

The Executive Board will utilize the authorization to exclude the subscription right in the case of capital increases in exchange for cash and/or non-cash contributions only if and insofar as the total proportional amount of the capital stock for the shares does not exceed 20%. If – during the term of the authorization proposed under item 6 on the agenda and until when it is utilized – use is made of other authorizations to issue or sell shares in the Company or to issue rights that enable or obligate subscription to shares in the Company and the subscription right is excluded as part of that, this shall be counted toward said limit.

The Executive Board shall aways require the Supervisory Board's consent to exclude the subscription right. The authorization to exclude the subscription right is envisaged for four case groups.

The first case group relates to fractional amounts that may result from the subscription ratio. The authorization to exclude the shareholders' subscription right for free fractional shares makes it easier to handle a rights issue, if there are fractional amounts due to the issuance volume or to present a practicable subscription ratio. The Company will realize

[1] Unless otherwise indicated, the disclosures on the Company's capital stock relate to April 25, 2018 (resolution of the Company's Executive Board on the resolution recommended to the General Meeting).

proceeds from the new shares for which the subscription right is excluded at normal market terms in a manner that minimizes any impact on the share price.

The second case group enables exclusion of the subscription right if the shares are issued in exchange for cash contributions and the issue price is not significantly below the stock market price. Under the authorization, the option of a simplified exclusion of subscription rights permitted by Section 203 (1) Sentence 1 in conjunction with Section 186 (3) Sentence 4 AktG (German Stock Corporation Law) is utilized. The Company can thereby exploit opportunities on the capital markets quickly and flexibly. It also saves time and costs involved in handling the subscription right. Setting the issue amount close to the market price will generate high proceeds. In the interests of enlarging the shareholder base, the Company is also given the possibility of offering shares in the Company to investors, in particular institutional investors in Germany and abroad. Due to the fact that the subscription period is a minimum of two weeks under law, the possibilities of responding to favorable market circumstances at short notice are restricted if shares are issued with a subscription round. If shares are issued with a subscription round, there are also additional risks to successful placement due to uncertainty about the extent to which subscription rights will be exercised. Issuing new shares at a price close to that on the stock market helps protect shareholders against dilution of their stake, since every shareholder can acquire the shares necessary to maintain his or her stake on the stock market at approximately the same terms. Taking into account market circumstances at the time, the Executive Board will also endeavor to keep any markdown on the stock market price low. The authorization to exclude the subscription right is restricted to 10% of the Company’s capital stock. Shares and subscription rights to shares that have been issued, sold or created since the resolution on this authorization was adopted, with exclusion of the subscription right of shareholders in accordance with or in corresponding application of Section 186 (3) Sentence 4 AktG (German Stock Corporation Law), are counted toward said 10% limit; shares that have been issued or are to be issued to service cum-warrant, convertible and/or participating bonds and profit-sharing rights shall also be counted toward said 10% limit, provided the said bonds or profit-sharing rights have been issued during the term of this authorization with exclusion of the subscription right in corresponding application of Section 186 (3) Sentence 4 AktG (German Stock Corporation Law).

The third case group governs the exclusion of shareholders’ subscription right in the case of capital increases in exchange for non-cash contributions. The Company is to be enabled to offer shares from the authorized capital as part of business combinations or the acquisition of companies, parts of companies, equity interests in companies (including increases in them) or other assets as a consideration instead of cash payments. The authorization is intended to give the Company the necessary freedom of action to seize opportunities to acquire companies, parts of companies, equity interests in companies and other assets, and to conduct business combinations, quickly and flexibly in the face of international competition, as and when such opportunities arise. The option of being able to offer shares as a consideration in acquiring companies or equity interests in companies is of considerable importance. However, it may also be in the Company’s interests to be able to offer shares as a consideration in acquiring other assets. These will usually be property, plant and equipment or intangible assets. Granting shares reduces the strain on the Company’s liquidity and can help optimize its financial structure. At present, there are no plans to acquire companies, parts of companies, equity interests in companies or other assets in exchange for the issue of new shares. The Executive Board will decide, on a case-by-case basis and after weighing up the possible alternatives, whether it – with the consent of the Supervisory Board – makes use of the possibility of issuing shares with the exclusion of the shareholders' subscription right in connection with any business combination or the acquisition of companies, parts of companies, equity interests in companies or other assets. The Company does not suffer any disadvantage from that, since issuing new shares in exchange for non-cash contributions presumes that the value of the non-cash contribution is in reasonable proportion to the value of the new shares issued in exchange for it. In measuring the value of the shares issued as consideration, the Executive Board will usually be guided by the stock market price of euromicron AG's shares. However, no rigid linkage to the stock market price is envisaged, in particular so that negotiation results that have been achieved are not called into question by fluctuations in the stock market price.

This fourth case group allows the subscription right of shareholders to be excluded in order to issue new shares to members of the Company's Executive Board or a representative body of a company affiliated with the Company or to employees of the Company or a company affiliated with it. Although there are currently no concrete plans to introduce such participation models, there is to be the possibility of restricting the issue of shares to a specific group or specific persons from the above group of persons, taking into account requirements under employment law, as part of creation of the authorized capital 2018. If the new shares are to be issued to members of the Company's Executive Board, a decision on that within the framework of the authorization granted by the General Meeting shall not be taken by the Executive Board, but instead by the Company's Supervisory Board in accordance with the responsibilities assigned to it under the German Stock Corporation Law.

Issuing shares to managers and/or employees fosters identification with the Company and acts as an incentive – especially in the current phase of repositioning – for them to assume co-responsibility at the Company. Share-based compensation also offers the possibility of gearing remuneration of managers and/or employees to the Company's sustainable development in suitable cases. So that new shares can be issued as compensation to managers and/or employees, the right of shareholders to subscribe to those shares must be able to be excluded. Apart from direct granting of new shares to members of the Company's Executive Board or the representative body of a company affiliated with the Company or to employees of the Company or a company affiliated with it, it is to be possible for the shares to be taken over by a financial institute or another company meeting the requirements specified in Section 186 (5) Sentence 1 AktG (German Stock Corporation Law), with the obligation to use them solely for the purpose of granting shares to the persons from the above-mentioned group of persons or repaying a securities loans raised solely for this purpose. Handling of the process for granting shares as compensation can be simplified by this approach. In all cases, the Executive Board or, respectively, the Supervisory Board will ensure that the new shares are issued economically and solely as part of the granted authorization to members of the Company's Executive Board or the representative body of a company affiliated with the Company or to employees of the Company or a company affiliated with it.

In order to simplify handling of the statutory subscription right, the new shares can – in accordance with the customary practice in corporate financing – also be taken over by one or more financial institutes with the obligation to offer them for subscription to the shareholders (indirect subscription right within the meaning of Section 186 (5) AktG (German Stock Corporation Law)). Companies that operate in accordance with Section 53 (1) Sentence 1 or Section 53b (1) Sentence 1 or (7) KWG (German Banking Act) are treated as equivalent to financial institutes. In this case, the statutory subscription right is not restricted materially, but helps make handling easier by the financial institute or financial institutes and not by the Company.

The Executive Board will inform the General Meeting of every exercise of the authorized capital.

Frankfurt/Main, May 2018
euromicron AG
– The Executive Board –